

NEWS

Carl's Jr. rolls out ATMs

by Milford Prewitt

ANAHEIM, Calif. — Following a year-long test, Carl's Jr. has approved the use of automatic teller machine cards for customer purchases at virtually all of its company-operated stores.

The chain is also inviting its franchisees to accept the service in a move that holds the potential to make Carl's Jr. the first major fast-food company to accept ATM cards, or debit credit cards, for payment systemwide.

"Convenience is a key factor in our decision to provide this payment option," said Bob Wisely, group vice president of marketing. "Our guests will be able to complete a transaction in eight seconds and receive up to \$40 back."

Company officials said it costs about \$2,000 per unit to install ATMs.

In a 125-restaurant test, the ATM payment method helped add 7 percent to 8 percent incremental sales per test unit, the company said. Carl's Jr., which operates 400 of the chain's 530 units, tested ATM payment in San Diego and Northern California.

The ATM purchase method works by allowing customers who hold an ATM card from one of three participating banks to draw money or receive immediate credit for purchases. Unlike standard ATM machines, which allow dozens of bank functions, those in Carl's Jr. units permit cash

withdrawals only up to \$40, or they will debit the bank account for the amount of the purchase. There is no minimum purchase, company officials said.

Similar in function to most ATMs, customers can gain access to their bank accounts in a Carl's Jr. by sliding the magnetic strip on the bank of their cards through the machine and inserting their code number.

"Our customers have told us they love the convenience of paying for purchases with their ATM cards," said a spokesman for one of the participating banks. "It's much quicker than writing a check and doesn't require that you carry a lot of cash in your pocket."

Rogers ousted from Bonanza post

(Continued from page 1)

area developers list 20 key concerns regarding the planned merger of the Bonanza and Ponderosa concepts that they feel directly impact the future status of their restaurants.

"When the deal was imminent, we drew up a list of key points we wanted them to address," said Larry Miller, a 21-unit Bonanza franchisee in Omaha, Neb. "That was over two months ago. They promised to get back with us in seven to 10 days. We're still waiting."

Some of the issues raised by the Bonanza franchisees are the name of the surviving concept, the franchisee role in advertising input, the concept assignment to new franchisees and lost market share opportunities for Bonanza area developers in regions flooded with Ponderosa units.

Ironically, Rogers' dismissal came one week after he agreed to remain in his capacity for one year to ease the transition process.

In a statement relayed through his of-

fice, Rogers stated that a comment at this time would not be appropriate, while Jenkins did not return phone calls.

The area developer's letter also told Kluge that they have unanimously agreed to retain independent counsel to resolve matters.

With his dismissal, Rogers becomes the first executive casualty resulting from the Ponderosa acquisition of Bonanza. Ron Parker, an executive vice president of Bonanza and the 620-unit chain's chief financial officer, was tapped to succeed Rogers.

"We're just not very happy about this situation at all," confessed one Midwestern-based area developer who requested anonymity. "They [Ponderosa] haven't shed any light on what's going to happen. Jeff's firing surprised many of us. Basically, they're turning it [Bonanza] over to someone who has no experience in running a company."

Gary Fears, a 50-unit Bonanza area developer in St. Louis, said that Jenkins had

phoned him personally to tell him about Rogers' firing.

"He [Jenkins] phoned me on another matter and then said that he preferred to tell me about Jeff rather than [that I] hear it elsewhere or through a memo," Fears said.

However, Bill Johnson, president of the Bonanza Area Developers Association, was optimistic that the situation would straighten itself out.

"The biggest problem in this deal seems to be a lack of communication," said Johnson, a 52-unit owner in Nashville, Tenn. "But Mike Jenkins phoned some of us to say that he was ready to tackle the problems associated with this thing."

Rogers, who joined Bonanza in 1979 as the director of marketing, was instrumental in orchestrating the company's expansion format and diversifying the menu from its traditional steak core.

He also helped restructure Bonanza to a limited partnership, changing the company name to USA Cafes L.P.

Sirhal takes seat at SFM table

(Continued from page 3)

Sirhal remembered.

Following his graduation, he was promoted to district sales manager for Ogden and then spent a total of five years with the food-service divisions at Greyhound and the Marriott Corp. In 1983 Sirhal returned to Greyhound's \$200 million Restaura division.

Shortly after he began his second term at Greyhound, Sirhal joined SFM and became active in membership drives. As the

1988 chairman of SFM's membership committee, he mapped out a recruiting goal of 200 new members. By year's end the trade group had added 270 new members.

Sirhal also helped organize a regional conference program that provided SFM members a chance to network without having to wait until the yearly annual gathering. During the last two years, the organization staged nearly 50 regional conferences.

"The regional conferences also let non-

members get a taste of what SFM is all about," Sirhal explained.

He also noted that during his one-year term as president, he would be developing two SFM panels: Environmental Management and Legislative Awareness.

The environmental group will address the issue of solid-waste disposal, and the legislative group will alert SFM members about new bills that might have an effect on food-service operations.

Sonic restaurants to blitz Southeast

(Continued from page 3)

to an 11-county area in the Florida panhandle and currently operate the two existing Florida Sonics in Panama City and Lynn Haven, Fla.

Sonic's Florida foray comes at a time when the 1,000-plus unit drive-in chain is reaping the benefit of an intense effort to unify a rather diverse group of franchisees, 350 of which are single-store operators.

To that end, the company, under the direction of president and chief executive officer C. Stephen Lynn, has spent the last four years in hiring what Flack calls an "effective and contemporary management team" and bringing the 40-year-old chain up-to-date.

And while the chain grew by less than 30 units during that period, systemwide sales increased from \$292 million in fiscal 1985 to an estimated \$390.3 million in fiscal 1989.

Flack credited the increases at least partially to team work. The executives at Sonic convinced more than 960 units to participate in the company's purchasing co-op, compared with only 250 stores two years ago, he said. More than 800 now take ad-

vantage of the advertising co-op, up from 200 four years ago.

"We've been able to show the franchisees that by buying together, they can afford private labels," he said. "It's really unique to move a 1,000-unit battleship that far in that length of time."

"But we just now have the franchisees believing what we can do for them."

And in an effort to make the chain look alike as well as act alike, executives at Sonic have been pushing a retrofit program that now encompasses 600 units.

The remodeling, which costs operators between \$27,000 and \$30,000, includes red and gray vinyl siding, colorful canopies and neon signage. It updates the flat roofs and exposed equipment associated with Sonic's older units.

Sales at units with the new look run better than \$600,000 a year, well above the \$395,000 company average.

And to further those sales trends, the company recently added another twist to its traditional 24-stall drive-ins.

A drive-thru window was included in a prototype unit built in Sonic's hometown, Oklahoma City, this past spring. The win-

dow, which, according to Flack, does not increase labor costs but slightly raises lot requirements, has led to incremental sales growth of 15 percent.

"It serves as an alternative when all the stalls are full," he said. "Or some people just prefer to drive through rather than park."

The irony in that, he said, is that service in the stalls is usually quicker.

"We have an average wait of about three and half minutes in the stall," he said. "We haven't quite achieved that in the drive-thru."

The new window required several design changes on the inside but few external ones. Sonic is currently offering franchisees two prototypes, one with the drive-thru and one without.

CORRECTION

"TCBY enters low-cal fray," Oct. 23, page 2, incorrectly said the Häagen-Dazs chain offers Low, Lite'n Luscious, a line of reduced-calorie treats. In fact, it is Baskin-Robbins that offers the product.

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FINANCIAL NEWS

Court's inaction on takeovers stirs industry debate

by Milford Prewitt

WASHINGTON — The Supreme Court's refusal to hear a challenge to Wisconsin's corporate takeover law has some restaurant executives eager for the right case to come along to clarify and consolidate the myriad of state regulations on mergers.

Acquisition-minded restaurant executives and securities lawyers said mergers and acquisitions have become unusually complicated in recent years because of a dizzying array of state regulations that may be unconstitutional, unfair to shareholders and fiscally irresponsible.

But others say the laws are needed to preserve companies from cash-hungry corporate pirates, who, after gaining control of a pursued company, have been known to shutter facilities and fire employees.

Executives were responding to the High Court's refusal to consider the case of *Amanda vs. the State of Wisconsin*, in which *Amanda Acquisition Corp.* contended that Wisconsin's takeover legislation violated federal securities laws and restrained interstate commerce. The suit resulted from *Amanda's* pursuit of *Universal Foods Corp.*, a diversified foods producer and distributor based in Milwaukee.

Under Wisconsin's takeover law, bidders in a tender offer — even those who have successfully garnered the majority of shares — cannot assume control of a company without the consent of the target company's board of directors or a three-year wait.

The Supreme Court's refusal to consider the case means the judgment of a federal appeals court in Chicago holds, even though the lower court judges said the Wisconsin law may be "folly" as economic policy.

According to the Joint Center for Judicial Studies, about half of the nation's states have enacted laws companies can invoke to stymie unwanted and hostile merger bids.

Eric Evans, associate director for Toronto-based *Kingsbridge Capital Group*, which is part of a group bidding for control of *Dunkin' Donuts*, said the issue of anti-takeover laws is troubling from another aspect few people discuss.

"The really huge issue here and the one no one seems to be addressing is this question of corporate governance," Evans said. "It's ludicrous that someone who holds the voting control of a company is unable to exert that control, that an owner, in fact, has no control in the direction of the company."

"The really huge issue here and the one no one seems to be addressing is this question of corporate governance."

But Paul Spooner, a vice president for *Barclays Bank* in New York, said that the societal obligations of corporations give states the right to construct anti-takeover laws.

Spooner said that just because an individual or a group of individuals own a company does not give them the freedom to run a company as they please.

"It's really a very short-sighted view of American corporations that one's shareholders or equity holders are its sole constituency," Spooner said. "A corporation is an organization with certain social support responsibilities that ex-

tend to its community, its schools, its vendors, and its workers. It has a much larger role than simply being responsible to a small group of shareholders."

Greg Dollarhyde, vice president of acquisitions and general manager of new concepts for *Pizza Hut*, agreed with Spooner but noted that some takeover artists in the recent past have not concerned themselves with the question of constituents.

"There have been a lot of acquisitions in which the buyer busted up the company, fired people, sold off assets and left nothing for the community," he said. "In a place like Los Angeles or New York, that wouldn't mean much, but in a small town, that could be devastating."

"So the question is, Who are the constituents of the board of directors? Is it the shareholders? Is it the employees? The community? The fiduciary duties of the board of directors are possibly one of the areas the Supreme Court is looking at, but I don't think there has been enough case law for them to make a decision."

J.J. Fitzsimmons, senior vice president and chief financial officer of *National Pizza*, the Pittsburgh, Kans.-based *Pizza Hut* franchisee that recently bought *Skippers*, blasted the wide divergence from state to state in takeover legislation.

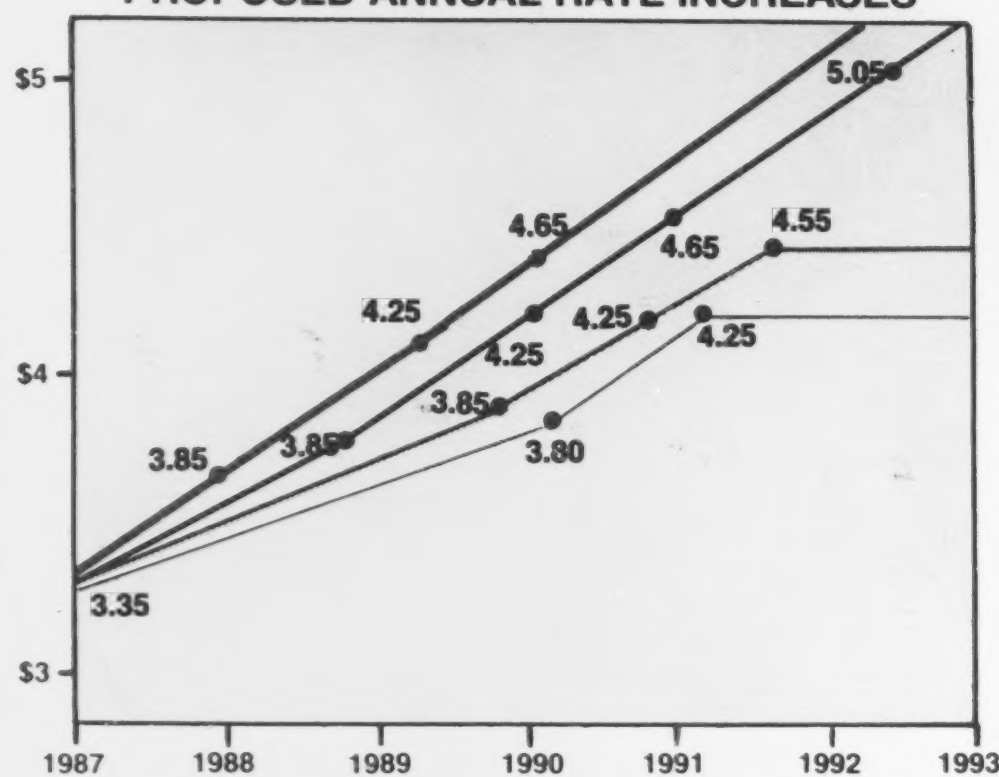
In Washington target companies can hold off a bidder with 10 percent of the voting stock for as long as five years without the approval of the board of directors.

Formally known as the Washington Moratorium Statute, the state's takeover law has been nicknamed the *Boeing Statute* — after the giant aircraft manufacturer persuaded passage when corporate raider T. Boone Pickens was reportedly interested in the company last year. Just five months ago Massachusetts passed anti-takeover legislation some have dubbed "the Gillette Law" after (See *HIGH COURT*, page 67)

NRN FACT FILE

A look at the statistics shaping the industry

MINIMUM WAGE DEBATE 1987-89 PROPOSED ANNUAL RATE INCREASES



The recent compromise on the minimum wage represents a sharp setback from the original proposal in 1987.

Original Kennedy/Hawkins bill introduced March 1987 (H.R. 1834/S. 837)

H.R. 1834 as approved by House Education and Labor Committee March 1988

Current compromise agreed to by President Bush, House Democrats October 1989

Bill passed by Congress and vetoed by President Bush, June 1989 (H.R. 2)

Source: National Restaurant Association

FINANCIAL DIGEST

Old Spaghetti Warehouse reports record profits in first quarter

GARLAND, Texas — Old Spaghetti Warehouse Inc. reported a record 41-percent boost in net income, to \$569,446, on a 20-percent increase in revenues, to \$8.3 million, for the first quarter ended Sept. 30.

The 17-year-old company operates a chain of 13 restaurants in Texas, Ohio, Florida, Tennessee, Georgia, New York and Pennsylvania. New units are scheduled to open in Oklahoma City in November and Rochester, N.Y., in February 1990.

National Pizza marks 52-percent increase in profit for second quarter

PITTSBURGH, Kansas — National Pizza posted a 52-percent increase in net income, to \$3.7 million, on a 20-percent jump in revenues, to \$42.6 million, for the second quarter ended Sept. 30.

Pizza Hut's largest franchisee attributed the performance to a 10.7-percent uptick in same-store sales and the chain's increasing success in attracting business from other competitors in the fast-food segment.

Pancho's Mexican Buffet net income drops in 3rd quarter

FORT WORTH, Texas — Escalating food and payroll costs pruned net income for *Pancho's Mexican Buffet Inc.* to \$712,000 for the third quarter ended Sept. 30, marking a 30-percent drop from the tally for the year-ago period, the company said.

Revenues totaled \$18 million, outstripping the prior year's figure by 3.8 percent, the buffet chain indicated.

Pancho's described its labor costs for the quarter as "higher than normal." Expenses were hoisted by the opening of a corporate data-processing center and a recruitment drive undertaken to support an expansion push, the company said. It disclosed plans to open a total of eight restaurants during 1990, compared with a net gain of five stores in '88.

Four Seasons seeks stock split in depressed third quarter

TORONTO — The Four Seasons Hotel Inc. said it would seek shareholder approval for a stock split at a special meeting Dec. 19, following a lackluster third-quarter performance that witnessed an increase in profit but a drop in sales.

Net income for the quarter jumped 12 percent, to \$3.4 million, but revenues fell 12 percent, to \$50.3 million.

The company said it would also seek shareholder approval for a plan to provide "increased incentives to its chief executive and some of its other senior executives."

FOOD PRICE OUTLOOK

Strike, strong demand has lettuce prices moving up

by Patt Patterson

Short term, three major factors seem to be moving lettuce prices up. At presstime a strike against one of the major Western growers was still unsettled, with union members voting overwhelmingly to reject the company's most recent offer.

The second factor was stronger demand than usual for lettuce for the period. And the third factor was news that the leaf minor pest was hitting hard in the Blythe area, causing some growers to consider diking under hundreds of acres unless they can obtain permission from California to use a restricted insecticide. Some industry observers say higher prices could

prevail until mid-December.

Canned ham prices are still rising. Higher domestic hog prices combined with reduced imports of foreign hams are both contributing to the increase.

Pork prices in general are still moving up. Demand is strong, and McDonald's pork rib sandwich promotion has put strong upward pressure on prices.

Beef prices are also moving up seasonally. According to some industry analysts, prices into next year may be higher than normal as cattlemen hold back animals from market in order to rebuild herds. Short term, that could mean higher

prices for beef. Long term, it would mean a larger supply and lower prices.

Lamb production is up slightly, imports have increased but consumption has increased even more, dropping frozen lamb inventories by more than 20 percent. Look for some increase in lamb prices through spring.

Chicken prices have moderated, with presstime levels about the same as last year's. Producers continue to increase production over last year's but not enough to cause supply to overwhelm demand. Expect mostly stable prices through to spring.

NEWS

Burger chain giants fight off drive-thrus

(Continued from page 1)

So my opening at that location wasn't as good as at some of the others," Ballard explained.

A Rally's staffer in Indianapolis recalled the meeting in which a former McDonald's manager said franchisees can get written instructions on how to counter when a double drive-thru opens in the neighborhood.

"You beef up the window staff — put your strong people where they can do their thing," he said.

In relative terms, though, the drive-thru-only segment is hardly called a major threat to the burger world at this point. If McDonald's

by itself can add 350 stores a year to the universe of more than 20,000 Big Four hamburger units, then the drive-thru-onlies may have decades of catching up to do.

"The total mass [of drive-thru-only operators] is not that significant," said New York-based analyst Bill Trainer, who works with Merrill Lynch. "The Rally's and In 'N Outs are only a small part of the major problem, which is continuing expansion in the face of flat demand."

Nevertheless, drive-thru-only economics is built on speed, not just speed of service, but speed of construction and speed of start-up.

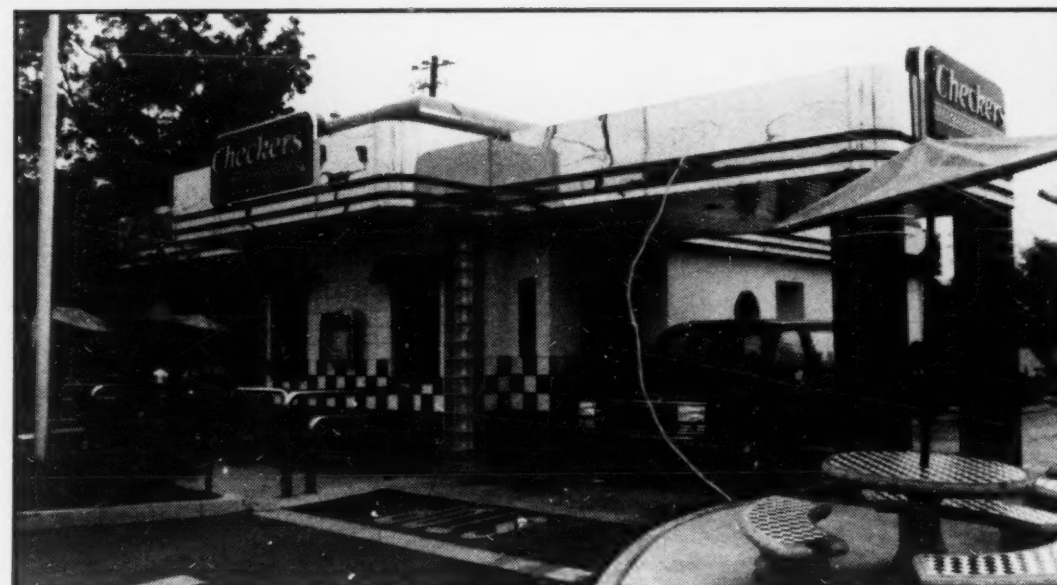
"Once the pad is ready, and the utilities are set, the building can be installed in a day," said Robert Davenport Jr., operations vice president of Central Park USA. "Two weeks from the building's delivery you can be open."

Central Park, which is expanding in an eight-hour driving distance from its Chattanooga, Tenn., home base, is having its drive-thru-only kiosks built in batches on an assembly line. They are delivered to operating sites on trucks.

Like all concepts, the theory of drive-thru-only often works better than the practical side. Operators bemoan the management burnout that appears to be a fact of squeezing five to seven people in close quarters several hours a time.

"There's huge management turnover," said Ballard of Double Drive-Thru Inc. "The concept can lull people to sleep. You work in the same 12-foot-by-40-foot box every day, and you can slip a bit. There's not enough money in the world to keep some people in a job like that."

And the efficiency of operating without a public rest room apparently is not accepted by zoning authorities in every market. In fact, the big chains are fighting their drive-thru-only competition on the zoning issue in some mar-



A Checkers of North America drive-thru unit.

kets, operators reported.

Also the issue of declining burger demand — the same issue that pushed the big chains into chicken sandwiches and salads — is viewed as a threat to the drive-thru-only operators who stay with the burger-only menu.

"Two years ago I'd argue burgers, fries and Cokes," said Ballard, who claims 50 percent of his sales are from burger junkies who eat at Ed & Ed's stores three times a week.

"I'm finding you don't have to be white collar to count calories," added Ballard, who said his latest customer survey shows female patronage has slipped from half to one-third of business.

"That tells me females are starting to concentrate on something other than beef," he said. "The low-fat thing is big. Everybody I know is talking about it."

Meanwhile Baton Rouge, La.-based Fast Track USA, which serves a 300-calorie turkey sandwich with its chicken and burgers, is also serving biscuit breakfasts — and appears happy the competition hasn't decided to jump in.

"We do breakfast from 6:30 to 10 a.m. and then convert the stores over to the regular menu," said Mitch Richardson, the Fast Track chief executive. "The building is there, so why not use it?" asked Richardson, who suggested breakfast may be 20 percent of total sales.



NRN Photos

Patron orders at a Rally's drive-thru unit.

Nunzio brothers launch 1-minute pizza

(Continued from page 1)

souped-up, gas-fired conveyor ovens. Capable of producing about 350 8-inch pizzas an hour, the ovens will also enable the drive-thru-only to offer 15-minute delivery of phone orders, the Casales indicated.

"This is our interpretation of what the typical restaurant will be in the year 2010," Frank Casale said. For the time being, he sees baked-to-order pizza-in-a-minute as "a market nobody's been going after."

McDonald's, poised to roll out a 14-inch pizza costing between \$6 and \$10, requires nearly five and one-half minutes to bake the product it is currently testing.

Domino's, which has propelled the pizza industry's fast-growing take-out and delivery field to the point where it accounts for more than 60 percent of the segment's sales, earned its fame largely on the strengths of guaranteed delivery within 30 minutes.

The Casales, who have four patents pending on Nunzio's Express, said they invested five years and more than \$1 million to develop the concept, which they intend to bring to Phoenix, Ariz., and Denver by next year.

As customers in cars approach the cantilevered, black-glass-clad kitchen that hovers above the drive-thru lanes, they see their fresh-baked 8-inch pizzas descending on vertical conveyors into the restaurant's transparent "pedestal" kiosk.

The glass-walled kiosk — only slightly larger than a parking space — is virtually devoid of fixtures, with the exception of order-entry-cash equipment and beverage fountains concealed in tubular pillars beside the service windows. A circular stairway leads from the kiosk to the upper level, which is resupplied through a port that opens for trucks' hydraulic lifts.

Drive-thru customers place their orders at menu stations equipped with two-way television systems that permit user-friendly eye contact between drivers and cashiers. Walk-up windows accommodate pedestrians; seating is not provided.

Menu options are limited to soft drinks, salads (garden, \$1.59; antipasto, \$2.59) and the basic \$1.79 cheese pizzas, sold singly and in four-pack and six-pack bundles.

The pizza packs make it easier to satisfy the different topping preferences of groups, Frank Ca-

sale said. Toppings, an extra 49 cents each, are pepperoni, mushroom, green chile, Canadian bacon, extra cheese, pineapple and jalapeño pepper.

In New Mexico and elsewhere, the brothers expect the drive-thru-only's extraordinary appearance to captivate pizza fans. "We want people to say,

Designed to overcome high land costs and the scarcity of prime sites, the Casales' fast-pizza format also addresses the industry-wide manpower crisis by operating for only 60 percent of the labor cost of a standard Nunzio's Pizza outlet, the brothers indicated.

The Nunzio's Express unit was designed for an annual sales

"about quadruple our wildest expectation," a company spokesman said. The Casales declined to specify actual sales volumes.

The taste of the 60-second pizzas has elicited mostly favorable reactions. "I was surprised; it was much better than I thought it could possibly be," said Bill Scott, vice president of five-unit Dion's Pizza, the Nunzio's chain's principal rival in Albuquerque.

Scott said the Casales have "a great idea," and he noted that the nation's mainstream fast feeders offer "hamburgers, chicken, but nobody has pizza. We all grew up on McDonald's, and I think we're all getting tired of it."

Gayle Foster, who works for Albuquerque Monthly magazine, said her 60-second pepperoni pizza "was really good — pretty close" to the same taste and texture of the regular Nunzio's pizza she enjoys.

However, a receptionist at the district office of Pizza Hut, next door to Nunzio's Express, unequivocally panned the upstart concept's efforts. Stating a preference for her company's product, the Pizza Hut staffer said the Nunzio's "restaurants are good, but the Express pizza is terrible."

“This is our interpretation of what the typical restaurant will be in the year 2010.”

"Wow, this is something from outer space," Nick Casale said.

The teal blue and red structure housing Nunzio's Express is modular and can be erected on a 3,500-square-foot lot in 48 hours for a cost of about \$200,000, the Casales said. Because of the pedestal-and-cantilever design, a single-lane unit will require only the ground space of a typical Photo-mat outlet, they added.

capacity of at least \$1.5 million. The Casales now must wait to see whether high-speed mini-pizzas can generate the same kind of purchase frequency that has made burgers and chicken fast-food staples.

Initial responses from customers have been overwhelmingly positive, the brothers said. Business during the prototype's first weeks of operation has been

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